

**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Marshall County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The primary government's cash balances increased by \$294,661 from the beginning of the year, resulting in a cash surplus of \$6,475,488 as of June 30, 2003.

Debt Obligations:

The primary government's total bonded debt principal as of June 30, 2003, was \$7,795,000. Future collections of \$12,813,396 are needed to pay all bonded debt principal and interest.

Total estimated post closure cost of the landfill as of June 30, 2003, was \$1,121,938. Future collections of this same amount are needed over the next 30 years to pay this estimated post closure cost.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Mike Miller, Marshall County Judge/Executive

Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Marshall County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances-governmental fund type; the statement of cash receipts, cash disbursements, and changes in cash balances-proprietary fund type; and the related statement of cash flows-proprietary fund type for the year then ended. These financial statements are the responsibility of the Marshall County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Marshall County Refuse Disposal District. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshall County Refuse Disposal District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Marshall County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Mike Miller, Marshall County Judge/Executive
Members of the Marshall County Fiscal Court

In our opinion, based upon our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Marshall County, Kentucky, as of June 30, 2003, and its receipts and disbursements and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2003 on our consideration of Marshall County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Marshall County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 19, 2003

MARSHALL COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Mike Miller	County Judge/Executive
Jerry English	Magistrate
Gordon Hargrove	Magistrate
Jerome Hicks	Magistrate

Other Elected Officials:

Jeff Edwards	County Attorney
Roger Ford	Jailer
Dan Duke	County Clerk
Carol Fisk	Circuit Court Clerk
Terry Anderson	Sheriff
Ann Riley	Property Valuation Administrator
Mitchell Lee	Coroner

Appointed Personnel:

Tim York	County Treasurer
Angie Murphy	Occupational Tax Collector
Emily Martin	Finance Officer
Gary Atkins	Road Supervisor
Marsha Penny	911 Administrator
Lauri Ford	Jail Administrative Assistant/Bookkeeper

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

MARSHALL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,334,855	\$ 403,756	\$ 1,856,475	\$ 17,402
Certificates of Deposit	944,092			
Notes Receivable (Note 4)	39,000			
Total Assets	<u>\$ 4,317,947</u>	<u>\$ 403,756</u>	<u>\$ 1,856,475</u>	<u>\$ 17,402</u>
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Bond Payments (Note 5)				7,777,598
Total Other Resources	<u>\$</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,777,598</u>
Total Assets and Other Resources	<u><u>\$ 4,317,947</u></u>	<u><u>\$ 403,756</u></u>	<u><u>\$ 1,856,475</u></u>	<u><u>\$ 7,795,000</u></u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

Enterprise Fund Type	Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
<u>Jail Canteen</u>			
\$ 80,176	\$ 5,692,664	\$ 220,538	\$ 5,913,202
	944,092	2,675	946,767
	39,000		39,000
<u>\$ 80,176</u>	<u>\$ 6,675,756</u>	<u>\$ 223,213</u>	<u>\$ 6,898,969</u>
	7,777,598		7,777,598
<u>\$ 0</u>	<u>\$ 7,777,598</u>	<u>\$ 0</u>	<u>\$ 7,777,598</u>
<u>\$ 80,176</u>	<u>\$ 14,453,354</u>	<u>\$ 223,213</u>	<u>\$ 14,676,567</u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	Governmental Fund Type			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Bond Payments (Note 5)	\$	\$	\$	\$ 7,795,000
Deferred Revenue (Note 4)	39,000			
Payroll Liabilities	161,268			
Total Liabilities	<u>\$ 200,268</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,795,000</u>
<u>Equity</u>				
Retained Earnings	\$	\$	\$	\$
Fund Balances:				
Reserved	328,302		1,856,475	
Unreserved	3,789,377	403,756		
Total Equity	<u>\$ 4,117,679</u>	<u>\$ 403,756</u>	<u>\$ 1,856,475</u>	<u>\$ 0</u>
Total Liabilities and Equity	<u>\$ 4,317,947</u>	<u>\$ 403,756</u>	<u>\$ 1,856,475</u>	<u>\$ 7,795,000</u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

Enterprise Fund Type	(Memorandum Only) Primary Government	Component Unit	(Memorandum Only) Reporting Entity
<u>Jail Canteen</u>			
\$	\$ 7,795,000	\$	\$ 7,795,000
	39,000		39,000
	161,268	17,604	178,872
<u>\$ 0</u>	<u>\$ 7,995,268</u>	<u>\$ 17,604</u>	<u>\$ 8,012,872</u>
\$ 80,176	\$ 80,176	\$	\$ 80,176
	2,184,777		2,184,777
	4,193,133	205,609	4,398,742
<u>\$ 80,176</u>	<u>\$ 6,458,086</u>	<u>\$ 205,609</u>	<u>6,663,695</u>
<u>\$ 80,176</u>	<u>\$ 14,453,354</u>	<u>\$ 223,213</u>	<u>\$ 14,676,567</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE

MARSHALL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>General Fund Types</u>		
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 4,490,133	\$ 3,101,811	\$ 1,197,519
Refuse Disposal District Receipts			
Other Financing Sources:			
Transfers In	1,200,000		
Kentucky Advance Revenue Program	<u>994,000</u>	<u>636,700</u>	
Total Cash Receipts	<u>\$ 6,684,133</u>	<u>\$ 3,738,511</u>	<u>\$ 1,197,519</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,459,659	\$ 3,097,599	\$ 1,231,582
Refuse Disposal District Disbursements			
Other Financing Uses:			
Transfers Out	371,276		
Bonds:			
Principal Paid			
Interest Paid			
Construction Costs and Management Fees			
Kentucky Advance Revenue Program			
Repaid	<u>994,000</u>	<u>636,700</u>	
Total Cash Disbursements	<u>\$ 5,824,935</u>	<u>\$ 3,734,299</u>	<u>\$ 1,231,582</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 859,198	\$ 4,212	\$ (34,063)
Cash Balance - July 1, 2002	<u>98,247</u>	<u>142,454</u>	<u>295,243</u>
Cash Balance - June 30, 2003	<u><u>\$ 957,445</u></u>	<u><u>\$ 146,666</u></u>	<u><u>\$ 261,180</u></u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE
For The Fiscal Year Ended June 30, 2003
(Continued)

General Fund Types			Special Revenue Fund Types		Capital Projects Fund Type
Federal Grant Fund	Occupational Tax Fund	Occupational Tax Administrator Fund	Emergency 911 Fund	Wireless 911 Fund	Public Properties Corporation Justice Center Fund
\$ 5,909	\$ 69,271	\$ 3,456,753	\$ 329,970	\$ 60,813	\$ 503,299
	2,500,000				
<u>\$ 5,909</u>	<u>\$ 2,569,271</u>	<u>\$ 3,456,753</u>	<u>\$ 329,970</u>	<u>\$ 60,813</u>	<u>\$ 503,299</u>
\$	\$ 2,374,850	\$ 167,277	\$ 327,742	\$ 34,541	\$
		3,300,000			658,646
					593,878
<u>\$ 0</u>	<u>\$ 2,374,850</u>	<u>\$ 3,467,277</u>	<u>\$ 327,742</u>	<u>\$ 34,541</u>	<u>\$ 1,252,524</u>
\$ 5,909	\$ 194,421	\$ (10,524)	\$ 2,228	\$ 26,272	\$ (749,225)
322,393	165,602	2,074,587	258,207	117,049	2,605,700
<u>\$ 328,302</u>	<u>\$ 360,023</u>	<u>\$ 2,064,063</u>	<u>\$ 260,435</u>	<u>\$ 143,321</u>	<u>\$ 1,856,475</u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – GOVERNMENTAL FUND TYPE
For The Fiscal Year Ended June 30, 2003
(Continued)

	Debt Service Fund Type	Totals (Memorandum Only)		Totals (Memorandum Only)
	Public Properties Corporation Justice Center Fund	Primary Government	Component Unit	Reporting Entity
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 362	\$ 13,215,840	\$	\$ 13,215,840
Refuse Disposal District Receipts			1,506,108	1,506,108
Other Financing Sources:				
Transfers In	629,922	4,329,922		4,329,922
Kentucky Advance Revenue Program		1,630,700		1,630,700
Total Cash Receipts	<u>\$ 630,284</u>	<u>\$ 19,176,462</u>	<u>\$ 1,506,108</u>	<u>\$ 20,682,570</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$ 11,693,250	\$	\$ 11,693,250
Refuse Disposal District Disbursements			1,545,246	1,545,246
Other Financing Uses:				
Transfers Out		4,329,922		4,329,922
Bonds:				
Principal Paid	210,000	210,000		210,000
Interest Paid	420,263	420,263		420,263
Construction Costs and Management Fees		593,878		593,878
Kentucky Advance Revenue Program Repaid		1,630,700		1,630,700
Total Cash Disbursements	<u>\$ 630,263</u>	<u>\$ 18,878,013</u>	<u>\$ 1,545,246</u>	<u>\$ 20,423,259</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 21	\$ 298,449	\$ (39,138)	\$ 259,311
Cash Balance - July 1, 2002	17,381	6,096,863	244,747	6,341,610
Cash Balance - June 30, 2003	<u>\$ 17,402</u>	<u>6,395,312</u>	<u>\$ 205,609</u>	<u>\$ 6,600,921</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE

MARSHALL COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE

	<u>Enterprise Fund Type</u>
<u>Cash Receipts</u>	<u>Jail Canteen Fund</u>
Jail Canteen Receipts	\$ 7,066
Total Cash Receipts	\$ 7,066
 <u>Cash Disbursements</u>	
Jail Canteen Expenditures	\$ 10,854
Total Cash Disbursements	\$ 10,854
Deficiency of Cash Receipts Under Cash Disbursements	\$ (3,788)
Cash Balance - July 1, 2002	83,964
Cash Balance - June 30, 2003	\$ 80,176

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

MARSHALL COUNTY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Operating Loss	<u>\$ (3,788)</u>
Net Cash Used By Operating Activities	<u>\$ (3,788)</u>
Net Decrease in Cash and Cash Equivalents	\$ (3,788)
Cash and Cash Equivalents - July 1, 2002	<u>83,964</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$ 80,176</u></u>

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Marshall County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Marshall County Public Properties Corporation as part of the reporting entity. Management has also included the Marshall County Refuse Disposal District, which was audited by other auditors as part of the reporting entity.

1) Marshall County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended with Marshall County's financial statements.

2) Marshall County Refuse Disposal District

The Refuse Disposal District has the right to buy, sell, lease, and mortgage property in its own name. The District also has the right to sue and be sued in its own name. Fiscal Court does not have the authority to approve or modify the District's budget, approve or modify rate or fee changes affecting revenues, or veto, overrule, or modify decisions of the District's board of directors. However, Fiscal Court does appoint a voting majority of the District's governing body.

Also, Fiscal Court has assumed the obligation to finance the District's deficits by providing financial support to the District: Fiscal Court budgets at least \$400,000 each fiscal year to help fund the District. Fiscal Court paid \$300,000 to the District during this fiscal year. Therefore, Fiscal Court is considered financially accountable for the District. Financial information for the Refuse Disposal District is discretely presented in the accompanying financial statements. A complete copy of the audit report may be obtained from the Marshall County Refuse Disposal District.

Additional - Marshall County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

The Kentucky constitution provides for election of the above officials from the geographic area constituting Marshall County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Marshall County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Marshall County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Federal Grant Fund, Occupational Tax Fund, and the Occupational Tax Administrator Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Marshall County Special Revenue Fund Type includes the following county funds: Emergency 911 Fund and the Wireless 911 Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Justice Center Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Justice Center Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

5) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Marshall County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore, the value of the county's fixed assets is not included in the financial statements. These fixed assets include building, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Marshall County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

MARSHALL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

Formal budgets are not adopted for the Public Properties Corporation Justice Center Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts. The county considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Marshall County Fiscal Court:

Marshall County Hospital
 Jonathan Creek Water District
 Aurora Sewer District

Marshall County Library
 North Marshall Water District
 Draffenville Sewer District

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on the criteria, the following are considered joint ventures of the Marshall County Fiscal Court:

Industrial Development Board
 Marshall County-Calvert City

Purchase Area Regional Industrial Authority, Inc.
 Riverport Authority

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by county's agent in the county's name or provided surety bonds which named the county as beneficiary/obligee on the bond.

Note 4. Receivables

A. Elva/New Harmony/Oak Level Fire District

The county loaned \$30,000 to Elva/New Harmony/Oak Level Fire District on July 21, 1999, for the purpose of renovating the Fire Department. Terms of the agreement stipulate a 12-year repayment schedule, interest free. The Fire District is in substantial compliance with the terms of the agreement. As of June 30, 2003, principal balance due was \$27,000.

MARSHALL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 4. Receivables (Continued)

B. Fairdealing Fire District

The county loaned \$30,000 to the Fairdealing Fire District on January 11, 2000, for the purpose of renovating the Fire Department. Terms of this agreement stipulate a 12-year repayment schedule, interest free. The Fire District is in substantial compliance with the terms of the agreement. As of June 30, 2003, the principal balance due was \$12,000.

Total receivables as of June 30, 2003 for the General Fund Type are \$39,000.

Note 5. Long-Term Debt

Marshall County Public Properties Corporation entered into a bond issue, Marshall County Public Properties First Mortgage Revenue Bonds (Justice Center Project) Series 2000, on October 1, 2000, for the purpose of paying the cost of constructing a new county justice center facility and the cost of issuance of the bonds. The issue amount of the bonds was \$8,005,000. The bonds will mature beginning March 1, 2003. The Administrative Office of the Courts will be responsible for 74% of the cost of the bonds. The Public Properties Corporation will be responsible for the remaining balance of the cost. The outstanding balance as of June 30, 2003, was \$7,795,000.

The following represents future maturities of long-term debt:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	\$ 409,237	\$ 215,000
2005	397,950	235,000
2006	385,612	245,000
2007	372,750	265,000
2008	358,837	275,000
2009-2013	1,562,925	1,610,000
2014-2018	1,088,325	2,130,000
2019-2023	460,162	2,820,000
Totals	<u>\$ 5,035,798</u>	<u>\$ 7,795,000</u>

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Related Party Transactions

Marshall County Fiscal Court participated in the following related party transactions.

A. Timber Bridge Company

During the fiscal year, the County conducted business with the Timber Bridge Company of Kentucky for culverts and bridge materials. In December 2002, the County Judge/Executive filed a Statement of Financial Disclosure with the Marshall County Ethics Commission stating that he was employed as a salesman for Timber Bridge, and earned in excess of \$5,000 during the preceding calendar year. A letter dated August 17, 2001, from Timber Bridge Company of Kentucky, confirming its ongoing agreement with the County Judge/Executive, states that the County Judge/Executive is not due any commissions on sales in Marshall County. The County Attorney reviewed this matter and did not believe that it violated the Marshall County Ethics Code.

B. Bank of Benton

During the fiscal year, the County maintained deposits with the Bank of Benton. In December 2002, the County Judge/Executive filed a Statement of Financial Disclosure with the Marshall County Ethics Commission stating that he owned an interest of at least \$10,000 in the Bank of Benton, and earned in excess of \$5,000 during the preceding calendar year from this interest. The County Attorney reviewed this matter and did not believe that it violated the Marshall County Ethics Code.

Note 7. Subsequent Events

A. Recreational Trails Program Grant

In June 2003, Marshall County was awarded a federal \$50,000 Recreational Trails Program Grant. The purpose of this grant is for "the development of a trails system to be located within the Clarks River National Wildlife Refuge". As of June 30, 2003, the county had received no grant monies.

B. Promissory Note With Bank of Benton for Marshall County Needline Building

On July 3, 2002, the Marshall County Fiscal Court entered into a promissory note agreement with the Bank of Benton. The purpose of the note was to purchase a building for Marshall County Needline. The Marshall County Fiscal Court borrowed \$114,200 at an interest rate of 6.5 percent for a period of twenty years. The Marshall County Needline has agreed to pay the Marshall County Fiscal Court rental payments in amounts equal to the loan payments as stipulated in a lease agreement dated July 3, 2002. If the payments from Marshall County Needline are not sufficient to meet the principal and interest requirements of the promissory note, Marshall County Fiscal Court is liable for the payments. The first payment on the promissory note is due July 3, 2003.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2003, Marshall County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Landfill Closure and Postclosure Costs

The Marshall County Landfill has been closed to dumping and the county is in the process of meeting closure care requirements. It is estimated that these closure care requirements will cost the County \$1,121,938 over the next thirty years. The County expects to pay an estimated \$37,398 a year. The cost includes an adjustment of 3% for inflation. The 30-year period is also an estimated time frame for meeting all the requirements for closing the landfill. During fiscal year 2002-2003, no expenditures were incurred for post-closure care on the Marshall County Landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MARSHALL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 3,540,000	\$ 4,490,133	\$ 950,133
Road and Bridge Fund	2,937,125	3,101,811	164,686
Jail Fund	1,127,000	1,197,519	70,519
Federal Grant Fund	322,000	5,909	(316,091)
Occupational Tax Fund	10,000	69,271	59,271
Occupational Tax Administrator Fund	3,220,000	3,456,753	236,753
<u>Special Revenue Fund Types</u>			
Emergency 911 Fund	317,000	329,970	12,970
Wireless 911 Fund	<u>16,000</u>	<u>60,813</u>	<u>44,813</u>
Totals	<u>\$ 11,489,125</u>	<u>\$ 12,712,179</u>	<u>\$ 1,223,054</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 11,489,125
Add: Budgeted Prior Year Surplus			2,094,875
Less: Other Financing Uses			<u>(371,276)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 13,212,724</u>

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SCHEDULE OF OPERATING REVENUE

MARSHALL COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

Revenue Categories	GOVERNMENTAL FUND TYPE				
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Types	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 6,299,722	\$ 5,974,713	\$ 325,009	\$	\$
In Lieu Tax Payments	372,446	372,446			
Excess Fees	312,346	312,346			
Licenses and Permits	128,419	128,419			
Intergovernmental Revenues	5,109,588	4,600,687	60,813	448,088	
Charges for Services	592,426	592,426			
Miscellaneous Revenues	269,031	269,031			
Interest Earned	131,862	71,328	4,961	55,211	362
Total Operating Revenue	<u>\$ 13,215,840</u>	<u>\$ 12,321,396</u>	<u>\$ 390,783</u>	<u>\$ 503,299</u>	<u>\$ 362</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MARSHALL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,274,130	\$ 1,927,270	\$ 346,860
Protection to Persons and Property	1,685,536	1,552,680	132,856
General Health and Sanitation	399,252	395,834	3,418
Social Services	459,853	445,162	14,691
Recreation and Culture	574,043	517,602	56,441
Roads	5,171,476	4,499,102	672,374
Capital Projects	45,869	45,869	
Administration	2,117,264	1,947,448	169,816
Total Operating Budget - General Fund Types	\$ 12,727,423	\$ 11,330,967	\$ 1,396,456
Other Financing Uses:			
Transfers to Public Property			
Corporation Justice Center Fund	371,276	371,276	
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 13,098,699</u>	<u>\$ 11,702,243</u>	<u>\$ 1,396,456</u>

Expenditure Categories	SPECIAL REVENUE FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	392,546	\$ 318,746	\$ 73,800
Administration	92,755	43,537	49,218
TOTAL BUDGET - SPECIAL REVENUE FUND TYPES	<u>\$ 485,301</u>	<u>\$ 362,283</u>	<u>\$ 123,018</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
Members of the Marshall County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Marshall County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. We did not audit the financial statements of the Marshall County Refuse Disposal District. Other auditors whose reports have been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Cit Luallen', with a long horizontal flourish extending to the right.

Cit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 19, 2003

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
Members of the Marshall County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Marshall County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Marshall County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Cit Luallen', with a long horizontal flourish extending to the right.

Cit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
December 19, 2003

FINDINGS AND QUESTIONED COSTS

MARSHALL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Marshall County.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Marshall County were disclosed during the audit.
4. No reportable conditions disclosed during the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Marshall County expresses an unqualified opinion.
6. Audit findings relative to the major federal awards programs for Marshall County are reported in Part C of this schedule.
7. The program tested as a major program was: Clarks River National Wildlife Project KY CLR 1185(1)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Marshall County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MARSHALL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of the Interior</u>		
Passed-Through State Department for Local Government:		
Land and Water Conservation Program-County Park Concession Stand (CFDA #15.916)	M-00217215	\$ 66,344
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Community Oriented Policing Services- Universal Hiring Grant (CFDA #16.726)	95-CF-WX-1883	26,651
Passed-Through State Justice Cabinet:		
Byrne Memorial Grant-Tri-County Drug Task Force (CFDA #16.579)	6356-N2-3/01	49,937
Passed-Through State Justice Cabinet:		
Byrne Memorial Grant-Tri-County Drug Task Force (CFDA #16.579)	6481-N2-4/02	106,951
<u>U.S. Department of Transportation</u>		
Direct Program:		
Federal Highway Administration Program Project KY CLR 1185(1)	N/A	1,721,777

MARSHALL COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Fiscal Year Ended June 30, 2003
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	Pass-Through <u>Grantor's Number</u>	<u>Expenditures</u>
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Emergency Management Performance Grant-Emergency Preparedness (CFDA #83.552)	N/A	\$ 3,696
Total Cash Expenditures of Federal Awards		<u>\$ 1,975,356</u>

MARSHALL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2003

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marshall County, Kentucky, and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Subsequent Event

During the fiscal year 2002-2003, the Marshall County Fiscal Court entered into an agreement with the Federal Highway Administration to improve access roads to the Clarks River National Wildlife Refuge with \$2,000,000 of federal funds. During the current fiscal year \$1,721,777 of federal expenditures were spent on this project. During fiscal year 2003-2004, Marshall County has received federal reimbursements of \$278,223 completing the project.

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AUDIT OF MARSHALL COUNTY REFUSE DISPOSAL DISTRICT

**MARSHALL COUNTY REFUSE
DISPOSAL DISTRICT**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

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INTRODUCTION

The Marshall County Refuse Disposal District was formed pursuant to KRS 65.182 and 109.115 in 1969. The District is a special taxing district. The tax is levied upon the property located in the Marshall County Refuse Disposal District. The tax is imposed only on property that is subject to county property tax. The property tax rate percent is nine and eight tenths cents (\$0.098) per hundred dollar valuation for real estate and nine and eight tenths cents (\$0.098) per hundred dollar valuation for tangible property.

MARSHALL COUNTY REFUSE DISPOSAL DISTRICT
BOARD OF DIRECTORS

JUNE 30, 2003

Doug Dotson	Chairperson
Dale Hargrove	Board Member
Charlie Edwards	Board Member
Charles Johnson	Board Member
Terry Holt	Board Member
Virgil Puckett	Board Member

PIERCE & WRIGHT

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL D. PIERCE, CPA
SCOTT WRIGHT, CPA

KATHRYN BIRDSONG, CPA
KARAMANEH WINCHESTER, CPA

310 Main Street, P.O. Box 527, Murray, Kentucky 42071 Telephone (270) 753-0274 FAX (270) 753-0275 mpierce@piercewright.com

INDEPENDENT AUDITORS' REPORT

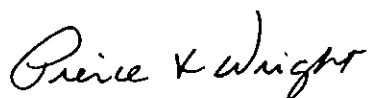
To the Board of Directors
Marshall County Refuse Disposal District
Benton, Kentucky

We have audited the financial statements of the Marshall County Refuse Disposal District, as of and for the year ended June 30, 2003, as detailed in the table of contents. These financial statements are the responsibility of the Marshall County Refuse Disposal District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Marshall County Refuse Disposal District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with cash basis and budget laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balance of the Marshall County Refuse Disposal District as of June 30, 2003, and the revenues it received and expenditures it paid for the fiscal year then ended on the basis of accounting described in Note 1.



November 17, 2003

Marshall County Refuse Disposal District
Statement of Assets, Liabilities, and Fund Balance
Arising From Cash Transactions
June 30, 2003

ASSETS

Cash in Bank-Checking	\$ 220,538
Cash in Bank-Liquid Certificate of Deposit	<u>2,675</u>
 Total Assets	 <u><u>\$ 223,213</u></u>

LIABILITIES AND FUND BALANCE

Payroll Liabilities	\$ 17,604
Fund Balance	<u>205,609</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 223,213</u></u>

The accompanying notes are an integral part of the financial statements

Marshall County Refuse Disposal District
Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Balance
For the Year Ended June 30, 2003

CASH RECEIPTS

District Taxation	\$ 1,157,649	
Transfer from Fiscal Court	300,000	
Recycling Income	3,000	
State Funds-Litter Abatement	43,768	
Interest	<u>1,691</u>	
Total Cash Receipts		\$ 1,506,108

CASH DISBURSEMENTS

Wages and Payroll Taxes	819,309	
Commissioner Fees	28,354	
Maintenance and Supplies	50,220	
Gas and Oil	31,868	
Utilities and Telephone	17,870	
Waste Disposal Contracts	345,356	
Employee Uniforms	20,476	
Legal and Professional	1,380	
Physicals and Medical	3,486	
Dumpster Site Lease	6,000	
Equipment Rental	6,084	
Employee Retirement	41,063	
Insurance	161,440	
Office Supplies	5,680	
Travel and Training	4,184	
Miscellaneous	<u>2,476</u>	
Total Cash Disbursements		<u>1,545,246</u>

Excess of Cash Receipts	
Over (Under) Cash Disbursements	<u>\$ (39,138)</u>

Fund Balance - July 1, 2002	\$ 244,747
------------------------------------	-------------------

Excess of Cash Receipts	
Over (Under) Cash Disbursements	<u>(39,138)</u>

Fund Balance - June 30, 2003	<u>\$ 205,609</u>
-------------------------------------	--------------------------

The accompanying notes are an integral part of the financial statements

**MARSHALL COUNTY REFUSE DISPOSAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Marshall County Refusal Disposal District was formed and operates as a public taxing district. The Refuse Disposal District is considered a component unit subject to inclusion in the financial statements of Marshall County. Criteria considered in determining the reporting entity included evaluating oversight responsibility, financial interdependency, selection of board members and management personnel, influence over operations, and accountability for fiscal matters.

The Refuse Disposal District's policy is to prepare its financial statements on the cash basis of accounting. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses and the related liabilities are recognized when paid rather than when the obligation is incurred. Under generally accepted accounting principles, such items would be recorded when earned or when the obligation is incurred.

This policy effects the recording of the Refuse Disposal District tax assessment revenues and the related operating expenses. Tax assessment revenues are recorded as income when collected rather than when billed, and operating expenses are recorded when paid rather than when incurred. Accordingly, these financial statements do not reflect accounts receivable or accounts payable for operating expenses as of June 30, 2003. The amounts are not considered to be material by the District.

NOTE 2- TAX RATES

The current tax rate on taxable real estate is nine and eight tenths cents (\$0.098) per hundred dollar (\$100.00) valuation. The rate for tangible property remains at nine and eight tenths cents (\$0.098) per hundred dollar (\$100.00) valuation.

NOTE 3- CASH IN BANK

At year end, the carrying amount of the districts' cash in bank was \$220,538. The bank balances totaled \$241,330. Of this amount, \$100,000 is FDIC insured, and the remainder is secured by pledged collateral.

**MARSHALL COUNTY REFUSE DISPOSAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4- STATE FUNDS-LITTER ABATEMENT

The Refuse District received a total of \$43,768 in grant funds from State of Kentucky's Natural Resources and Environmental Protection Cabinet. These funds are to be used for litter abatement activities allowed pursuant to KRS 224.43-505. These funds will be used by the District to conduct roadside cleanups along public roads and city streets. As required by KRS 224.43-345, two litter cleanups along city streets and three litter cleanups along public roads are required to be performed each year. A 25% match is required by the District for all litter abatement funds received and proof of this match to the Natural Resources and Environmental Protection Cabinet must be provided upon request.

NOTE 5- RETIREMENT PLAN

All full time employees are covered under the County Employee's Retirement System (CERS) of the State of Kentucky, a cost sharing, multiple-employer, public employees retirement system, defined benefit pension plan. Funding for the plan is provided through payroll withholding of 5% and a district contribution of 6.34% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$755,064. The payroll for employees covered under CERS was \$602,525.

The contribution requirement for CERS for the year ended June 30, 2003 was \$68,326, which consisted of \$38,200 from the District and \$30,126 from the employees. The contribution requirements for the years ended June 30, 2002 and 2001 were \$66,556 and \$68,439, respectively.

Benefits under the plan will vary based on final compensation, years of service, and other factors as fully described in the plan documents. Copies of the plan's stand-alone financial statements are available from the plan administrator.

NOTE 6- OTHER PERTINENT INFORMATION

The State of Kentucky mandated that all landfills not in compliance with state requirements concerning preparations of landfills for use be closed by June 30, 1992. However, there was still a need for the Marshall County Refuse Disposal District to operate the county dumpsters and transporting of refuse to private disposal enterprises. The District has several transfer stations at various points in the county where county residents may bring refuse for disposal. The stations are fenced in and are open only during certain hours when they are overseen by District employees.

**ADDITIONAL REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

PIERCE & WRIGHT

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL
STATEMENT AUDIT CONDUCTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Marshall County Refuse Disposal District
Benton, Kentucky

We have audited the financial statements of the Marshall County Refuse Disposal District, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 17, 2003.

We conducted our audit in accordance with generally accepted auditing standards, as well as, *Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Marshall County Refuse Disposal District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of the inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, the projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Marshall County Refuse Disposal District for the year ended June 30, 2003, we obtained an understanding of its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the

design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Marshall County Refuse Disposal District. However, this report is a matter of public record, and its distribution is not limited.

Pierce & Wright

November 17, 2003

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Marshall County Refuse Disposal District
Benton, Kentucky

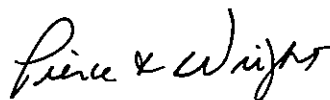
We have audited the financial statements of Marshall County Refuse Disposal District for the year ended June 30, 2003, and have issued our report thereon dated November 17, 2003.

We conducted our audit in accordance with generally accepted auditing standards, as well as, *Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Marshall County Refuse Disposal District is the responsibility of the Marshall County Refuse Disposal District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Marshall County Refuse Disposal District's compliance with certain provisions of law, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Marshall County Refuse Disposal District. However, this report is a matter of public record, and its distribution is not limited.



November 17, 2003

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